



ANNUAL REPORT '81

加拿大

加群銷業有限公司
總裁雅朗·費殊先生：

您在今年五月訪問我廠期間除了商討我們雙方合作生產經營和銷售之外還對我們工廠的經營管理工藝技術等提出了很多宝贵
的建議意見。我們深感銘謝。

比如，我們雖然按照勞動保護規定對機械加工維修的工人都裝了防護眼鏡。但他們為了工作方便，很多不願戴。當你看到我們操作機床的工人沒有戴上防護眼鏡時誠懇地對我們說：在有些危險物飛濺的崗位上不戴上防護眼鏡在我们國家是違犯法律的。我們認為你的意見對我們加強安全生產觀念是很有幫助的。我們便和工人们



**Translation of Chinese Scroll on cover
presented to Aaron M. Fish by Shao-Shen Deng,
manager of the Red Wind Factory.**

October 12, 1980

Mr. Aaron Fish
President
Unican Security Systems Ltd.
Canada

Honourable President,

We are greatly indebted to you for your most valuable advice to us in respect to the improvement of factory management and technical know-how, in addition to our many fruitful discussions on mutual co-operation in padlock production during your May visit to China this year.

Take for a good example. Although we have, in accordance with the Industrial Safety Law of our country, distributed to every member of the mechanical and maintenance departments a pair of safety glasses to protect their eyes against flying objects, they were reluctant to put them on at work as they considered them to be inconvenient.

During your tour in our factory, you found the fact. There you pointed out, advised sincerely and said, "In our country, it is absolutely against the law to have workers with no safety glasses while working in the field where there are positive substances flying into ones' eyes. Good factory management starts from the safety of labour."

Your advice drew our particular attention and strengthened our concept towards the safety of workers. We discussed with them seriously and asked them not to sacrifice their own safety just for the sake of temporary convenience. Then one put the safety glasses on after another. They are used to putting them on now.

From this view point, we noticed how sincere and effective the President's help is. We thank you wholeheartedly.

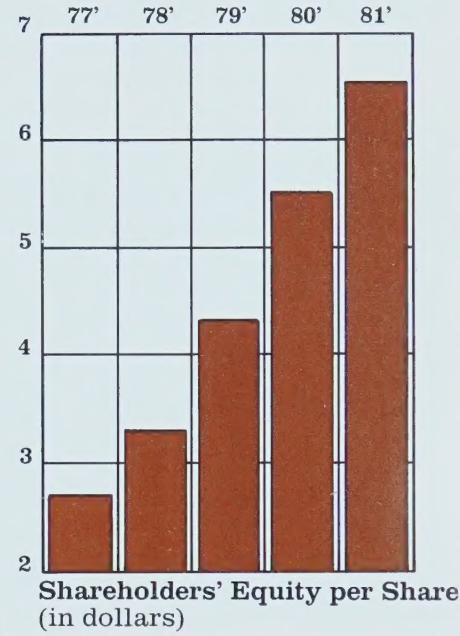
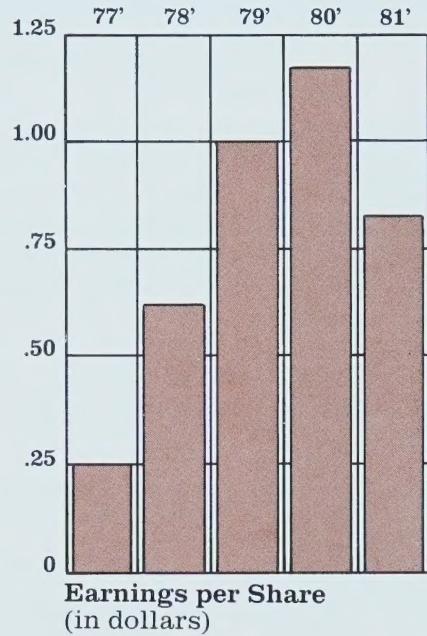
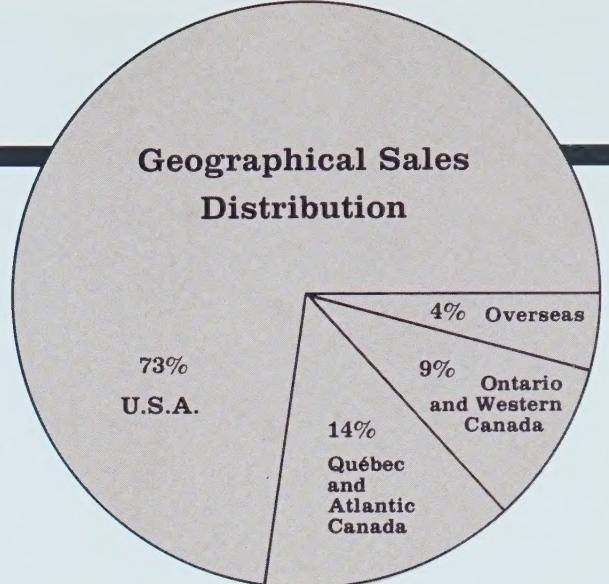
Presently, we are beginning the first step of co-operation. Based on it, we are studying further the possibility of establishing a closer co-operation of more extensive form in longer terms.

Best wishes for a greater success of our co-operation for years to come and for the good health of the President.

Red Wind Factory
Guangchau Lock Corp.,
China

Financial Highlights

Geographical Sales Distribution



	1981	1980	% change
Net sales	\$43,511,952	\$38,331,699	+ 13.5
Net income before extraordinary items	1,622,017	1,335,684	+ 21.4
Net income after extraordinary items	1,622,017	* 2,214,509	- 26.8
Funds from operations	3,742,947	3,004,085	+ 24.6
Depreciation & amortization	1,608,650	1,398,724	+ 15.0
Capital expenditure	1,830,145	1,986,936	- 7.9
Shareholders' equity	12,303,160	11,018,906	+ 11.7
Working capital	10,572,552	9,213,650	+ 14.8

Per share

Net earnings before extraordinary items	.83	.71	+ 16.9
Net earnings after extraordinary items	.83	* 1.17	- 29.0
Equity	6.51	5.62	+ 15.8

*includes \$878,825. of tax loss carry forward from previous years.



To Our Shareholders

As I write this report in September 1981 we look back on a very important year in the growth of Unican Security Systems Ltd. Recessionary conditions through the end of January had a negative impact on our sales and earnings. However, our unusual mix of furniture, cabinet and consumer Do-It-Yourself hardware, augmented by our unique security lock systems, enabled the Company to absorb some of the increased costs due to inflationary conditions and high interest rates without showing any substantial reduction in operating income.

In essence we came of age in 1981. The elimination of extraordinary items, primarily tax loss carried forward from previous years, have been eliminated. Future results before and after extraordinary items will not, I expect, differ substantially as they have in the past.

The financial highlights illustrate clearly our growth and strong performance in the areas of funds generated from operations and increased shareholders' equity.

We took several steps forward which will have a long range positive impact on the Unican group.

We have re-aligned management responsibilities within the Company under three groups as follows:

Tony Whitley has been appointed Group Vice President, responsible for manufacturing and distribution of consumer hardware in the United States.

Stan Mazoff has been appointed Group Vice President, responsible for worldwide import/export activities, sales of security and consumer hardware in Canada.

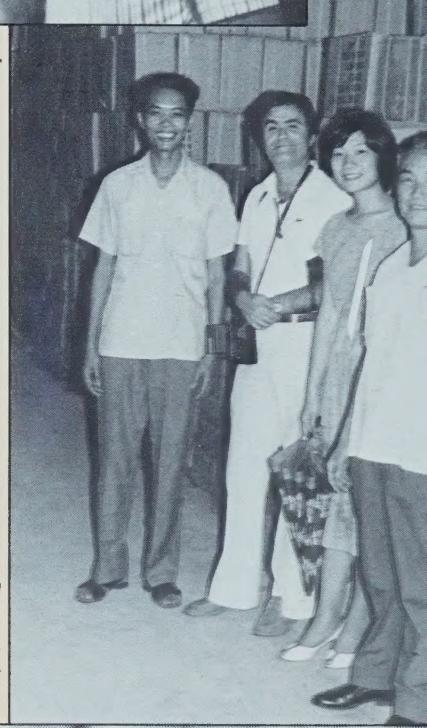
Janis Terauds has been appointed Senior Vice President, responsible for the coordination of manufacturing activities between our three major locations; Montreal, Rocky Mount, North Carolina and Collinsville, Connecticut. In addition Mr. Terauds is responsible for Corporate Engineering, Research and Development and assisting the President in the development and analysis of new ventures.

In terms of technology we are seriously pursuing the introduction of new techniques and technology which will substantially lower our cost of material, direct labour and manufacturing overhead as related to key blanks. We are also pursuing the development of an



Aaron Fish and Pienne Chow
Vice President and General Manager of
Hong Kong Office

any substantial reduction in operating



Left to Right: Shao-Shen
Deng Manager of Red
Wind Factory, A. Fish, P.
Chow, Ji-Wen Zhou Manager
of Guangchau Lock Corp.



Padlock Assembly

electronic hotel lock security system. Activities related to the development of worldwide markets for our products are progressing satisfactorily and present indications are that we will attain 50 to 100% improvement in this area on a year to year basis in the foreseeable future.

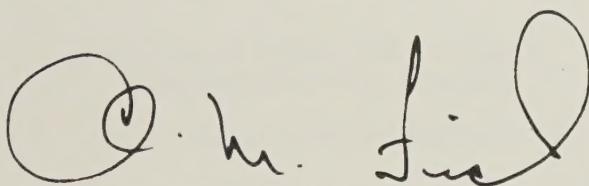
The cover of this report is a direct copy of the handwritten scroll given to Aaron M. Fish by the Red Wind Factory in Guangchau, China. Of significance, is the high level of friendship we have developed with the workers, managers of this factory and the import/export Company. The program of safety glasses in China has now been extended to include hearing protection and has resulted in a high level of worker satisfaction and interest in Unican products and activities. This project on the part of Unican has gone a long way to illustrate to the Chinese workers and people that our interest and relationship goes beyond the point of just making profits.

As we enter what may be some difficult months, our every day challenge and objective is to manage the Company so that the future is not foreclosed by over-emphasis on current results and economic conditions.

I take this opportunity to thank the employees, friends and suppliers who have contributed to our success in this past year.

Respectfully submitted,

UNICAN SECURITY SYSTEMS LTD.
LES SYSTÈMES DE SÉCURITÉ UNICAN LTÉE



Aaron M. Fish
Chairman & President



Visit to Shanghai Lock Factory by Stanley Mazoff, Betty Fish, A. Fish.



Padlock display at factory





Consolidated Balance Sheet

As at June 30, 1981

ASSETS

	<u>1981</u>	<u>1980</u>
Current		
Cash	\$ 825,140	\$ 403,691
Receivables	8,205,497	6,804,881
Inventories (note 2)	13,298,140	12,966,907
Prepaid expenses	245,411	277,658
Total current assets	<u>22,574,188</u>	<u>20,453,137</u>
Investments in and advances to 50% owned companies	105,114	126,206
Fixed (note 3)	9,040,958	8,778,247
Other		
Patents and franchise rights, at amortized cost	76,875	90,356
Goodwill, at amortized cost	132,583	169,583
Total other assets	<u>209,458</u>	<u>259,939</u>

Signed on behalf of the Board

Signed on behalf of the Board

David Spiegel Director

Consolidated Balance Sheet

As at June 30, 1981

LIABILITIES

	1981	1980
Current		
Bank indebtedness	\$ 4,765,451	\$ 3,923,094
Payables and accrued liabilities	6,132,810	6,289,608
Income taxes	603,017	363,102
Current portion of long-term debt (note 4)	500,358	663,683
Total current liabilities	12,001,636	11,239,487
Long-term debt (note 4)	6,314,428	6,654,887
Deferred income taxes	993,689	481,409
Minority interest	316,805	222,840

SHAREHOLDERS' EQUITY

Capital stock

5% non-cumulative, redeemable preferred shares
without nominal or par value
Authorized 45,000 shares

Common shares without nominal or par value
Authorized and issued 2,000,000 shares

5,989,511

5,989,511

Excess of appraised value of fixed assets over cost

668,690

683,720

Contributed surplus

131,193

131,193

6,789,394

6,804,424

Retained earnings

5,885,363

4,346,497

12,674,757

11,150,921

Less cost of 110,051 (1980 — 38,051) common shares in treasury

371,597

132,015

Total shareholders' equity

12,303,160

11,018,906

\$31,929,718

\$29,617,529



Consolidated Statement of Income

Year ended June 30, 1981	1981	1980
Sales	\$43,511,952	\$38,331,699
Cost of sales and operating expenses before the undernoted items	37,386,159	33,063,053
Income before the undernoted items	6,125,793	5,268,646
Depreciation of fixed assets	1,558,169	1,369,657
Amortization of other assets	50,481	29,067
Interest on long-term debt	825,397	829,826
Other interest	807,104	507,857
Share in net (income) of 50% owned companies	(4,704)	(16,238)
Research and development	204,478	150,584
Income before income taxes, minority interest and extraordinary items	3,440,925	2,870,753
	2,684,868	2,397,893
Provision for income taxes		
Current	479,633	722,182
Deferred	512,280	286,614
Income before minority interest and extraordinary items	991,913	1,008,796
1,692,955	1,389,097	
Minority interest in income	70,938	53,413
Income before extraordinary items	1,622,017	1,335,684
Extraordinary income tax recoveries	—	878,825
Net income	\$ 1,622,017	\$ 2,214,509
Earnings per share		
Before extraordinary items	\$0.83	\$0.71
After extraordinary items	\$0.83	\$1.17

Consolidated Statement of Retained Earnings

Year ended June 30, 1981	1981	1980
Retained earnings — beginning of year	\$4,346,497	\$2,223,773
Net income	1,622,017	2,214,509
Transfer from appraisal excess	15,030	7,515
	1,637,047	2,222,024
	5,983,544	4,445,797
Cash dividend paid	98,181	99,300
Retained earnings — end of year	\$5,885,363	\$4,346,497

Consolidated Statement of Changes in Financial Position

Year ended June 30, 1981	<u>1981</u>	<u>1980</u>
Source of working capital		
From operations —		
Income before extraordinary items	\$1,622,017	\$1,335,684
Items not affecting working capital —		
Depreciation and amortization	1,608,650	1,398,724
Deferred income taxes and other items	512,280	269,677
	<u>3,742,947</u>	<u>3,004,085</u>
Issue of long-term debt	—	1,497,695
Extraordinary items	—	390,825
Other items	—	33,696
	<u>3,742,947</u>	<u>4,926,301</u>
Use of working capital		
Purchase of fixed assets	1,830,145	1,986,936
Cash dividend paid	98,181	99,300
Long-term debt	340,459	166,825
Other items	115,260	—
Acquisition of businesses	—	488,031
	<u>2,384,045</u>	<u>2,741,092</u>
Increase in working capital	<u>1,358,902</u>	<u>2,185,209</u>
Working capital — beginning of year	<u>9,213,650</u>	<u>7,028,441</u>
Working capital — end of year	<u>\$10,572,552</u>	<u>\$9,213,650</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Unican Security Systems Ltd. - Les Systèmes de Sécurité Unican Ltée as at June 30, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Notes to Consolidated Financial Statements

June 30, 1981

1. Summary of significant accounting policies

(a) Principles of consolidation —

These consolidated financial statements include the accounts of the company and all of its domestic and foreign subsidiaries. All intercompany accounts and significant intercompany transactions have been eliminated in consolidation. The investments in 50% owned companies are accounted for on the equity basis.

(b) Translation of foreign currency —

Assets and liabilities carried at present prices are translated at exchange rates prevailing at year end. Assets and liabilities carried at past prices are translated at applicable historical rates. Revenues and expenses other than depreciation and amortization are translated at the average rates for the year. The gains or losses from translation procedures are included in net income.

(c) Inventories —

Inventories are valued at the lower of standard cost and estimated net realizable value, with such standard cost approximating current cost as determined by the first-in, first-out method.

(d) Fixed assets —

Fixed assets are recorded on the basis of cost, except for the company's property in Montreal, Quebec which is recorded at market value on June 1, 1979 on the basis of an appraisal performed by Mr. Ron. P. Spooner, F.R.I.C.S. as of that date. Expenditures for major renewals and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. The carrying amounts of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gains or losses are reflected in net income.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The appraisal excess is being transferred to retained earnings at the rate used for the depreciation of buildings. The estimated useful lives of the principal classes of assets are —

Buildings	40 years
Machinery and equipment	5 — 10 years

(e) Amortization of other assets —

Patents and franchise rights are amortized on a straight line basis over their estimated useful lives, which are generally seventeen years.

Goodwill represents the unamortized excess of the purchase price over the value assigned to the net underlying assets of certain acquired subsidiary companies and is being amortized on a straight line basis over five years.

(f) Product development expenses —

All research and product development costs are charged to operations as incurred.

2. Inventories

	1981	1980
Finished goods	\$ 5,407,440	\$ 5,001,138
Work in process	3,461,818	3,361,657
Raw materials	4,428,882	4,604,112
	<hr/> \$13,298,140	<hr/> \$12,966,907

3. Fixed assets

	1981			1980
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 353,906	\$ —	\$ 353,906	\$ 353,906
Buildings	3,383,359	424,624	2,958,735	2,918,788
Machinery and equipment	15,623,211	9,894,894	5,728,317	5,505,553
	\$19,360,476	\$10,319,518	\$9,040,958	\$8,778,247

4. Long-term debt

	1981	1980
9 1/4% mortgage, payable in United States currency maturing July 1999	\$1,726,297	\$1,688,891
12.2% loan secured by debentures of \$11,000,000 maturing in October 1984	4,902,778	5,261,111
Other	185,711	368,568
	6,814,786	7,318,570
Current portion of long-term debt	500,358	663,683
	\$6,314,428	\$6,654,887

The company, subject to the priority rights of the 9 1/4% mortgage lender, has pledged all of its assets to secure the bank indebtedness and the 12.2% loan.

The estimated aggregate payments required in each of the next five years to meet the principal retirement provisions of long-term debt are as follows —

1982	\$ 500,358
1983	447,000
1984	412,000
1985	3,883,000
1986	57,000

5. Related party transaction

During the year a \$350,000 non-interest bearing loan to a director was fully repaid. As partial consideration the company accepted 70,850 shares at \$3.50 each which it holds in treasury.

6. Contingency

The income tax returns of two U.S. subsidiaries for the years 1977 to 1979 inclusive have been examined and it has been informally indicated that additional taxes may be assessed. The amount of such assessments, which could be substantial, can not be estimated at this time.

7. Segmented information

	Canada	United States	Eliminations	Consolidated
	1981	1981	1981	1981
Sales to customers	\$10,698,061	\$32,813,891	\$ —	\$43,511,952
Transfers between segments	5,775,695	750,262	(6,525,957)	—
Total revenue	<u>\$16,473,756</u>	<u>\$33,564,153</u>	<u>(\$6,525,957)</u>	<u>\$43,511,952</u>
Operating profit	\$1,663,225	\$2,846,778	\$7,140	\$4,517,143
General corporate expenses				
Interest expense				1,632,501
Research & development				204,478
Share in net (income) of 50% owned companies				(4,704)
				<u>1,832,275</u>
Income before income taxes, minority interest and extraordinary items				\$2,684,868
Identifiable assets	<u>\$11,434,145</u>	<u>\$20,390,459</u>		<u>\$31,824,604</u>
Corporate assets				
Investments in and advances to 50% owned companies				105,114
Total assets				<u>\$31,929,718</u>
	Canada	United States	Eliminations	Consolidated
	1980	1980	1980	1980
Sales to customers	\$8,984,813	\$29,346,886	\$ —	\$38,331,699
Transfers between segments	5,787,360	557,841	(6,345,201)	—
Total revenue	<u>\$14,772,173</u>	<u>\$29,904,727</u>	<u>(\$6,345,201)</u>	<u>\$38,331,699</u>
Operating profit	\$1,323,838	\$2,553,689	\$(7,605)	\$3,869,922
General corporate expenses				
Interest expense				1,337,683
Research & development				150,584
Share in net (income) of 50% owned companies				(16,238)
				<u>1,472,029</u>
Income before income taxes, minority interest and extraordinary items				\$2,397,893
Identifiable assets	<u>\$11,477,555</u>	<u>\$18,013,768</u>		<u>\$29,491,323</u>
Corporate assets				
Investments in and advances to 50% owned companies				126,206
Total assets				<u>\$29,617,529</u>

Transfers between geographic segments are accounted for at prices established by management.

“A matter of interest”

In the summer of 1979 we conceived a project entitled “special services”, to be owned and operated by handicapped individuals, enabling them to re-enter the main stream of life.

Unican has to this date invested approximately \$150,000. of its own funds along with substantial Management time in order to assess the concept. I am pleased to report that we have two locations manned by handicapped people. Our preliminary kiosk designs, merchandizing and training techniques have now been tested with some degree of success.

Presently, the Federal Government's LEAP program, “Le Centre d'Accueil La Spirale” and Unican are cooperating in an intensive study which we expect will result in the rapid expansion of our concept.

As 1981 is celebrated as the year of the handicapped, we at Unican feel that we have contributed to the possible rehabilitation and future welfare of certain individuals. Of significance, we now have inquiries from groups in the United Kingdom and South Africa who would like to further this concept in their own countries.

The enclosed photo illustrates one of our locations. The services being offered include key duplicating, engraving and merchandizing of specialized items.



Directors

Aaron M. Fish

Chairman of the Board

Mrs. Betty Fish**Solomon I. Belzberg, B. Sc., P. Eng.**

President, Capitol Unican Inc.

Ira Milton Jones

Patent Attorney

Alexander G. Lester

Retired Executive Vice-President,
Bell Canada

David Stendel, C.A.

Partner, Stendel, Fruchter & Co.

Gerald D. Sutton

President, C.E.D. Ltd.

Jack L. Switzer, B. Sc., P. Eng.

President, Richmond Die Casting Ltd.

Corporate Officers

Aaron M. Fish

Chairman of the Board, President

David Stendel, C.A.

Secretary

Solomon I. Belzberg, B. Sc., P. Eng.

Vice-President

Stanley S. Mazoff

Group Vice President

Worldwide Import-Export

Canadian Consumer/Security Products

Kenneth D. Shulman, B. Comm., C.A.

Treasurer and Controller

Janis Terauds

Senior Vice President

Manufacturing, Engineering,

Research and Development,

Special Projects

Tony H. Whitley

Group Vice President

Manufacturing and Distribution,

Consumer Products USA.

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Rocky Mount, N.C. 27801

Stock Exchanges

Montreal & Toronto Stock Exchanges,
Symbol UCS

Registrar — Transfer Agents

Royal Trust Company,
Montreal, Toronto

Bankers

Bank of Montreal
119 St. James W.
Montreal, Que.

Rhode Island Hospital Trust
National Bank
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02903

Peoples Bank & Trust Company
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Vice President and General Manager
Minami-Ku, Osaka, Japan
Tel.: (06) 244-0385
Cable: Unikis Japan, Osaka

商討不要簡單了。希望您惠視安全，我們的
都逐漸戴上了。從這一點看，總裁先生對我們的
幫助是誠摯的，也是有成效的。謹此致謝。

現在，我們又在已經進行初步合作的基礎上，研
究進行更長久的廣泛的合作。祝您我們的長期
合作計劃取得更大成功。

并祝惠

總裁先生身體健康

中國

廣州市海珠區工業公司

紅風



一九八一年十二月十二日